

HOUSE BILL NO. 155

INTRODUCED BY A. NOONAN

BY REQUEST OF THE DEPARTMENT OF MILITARY AFFAIRS

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5 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING AN ACCOUNT IN THE STATE TREASURY FROM
6 WHICH PREMIUMS PAID FOR GROUP LIFE INSURANCE BY MONTANA RESIDENTS WHO ARE MEMBERS
7 OF THE MONTANA NATIONAL GUARD, ~~AND RESERVE, OR ARMED FORCES~~ WHO ARE ON ACTIVE DUTY
8 FOR A CONTINGENCY OPERATION MAY BE REIMBURSED; REQUIRING THE DEPARTMENT OF MILITARY
9 AFFAIRS TO ADOPT RULES TO DETERMINE SERVICE MEMBERS' ELIGIBILITY FOR REIMBURSEMENT
10 FOR GROUP LIFE INSURANCE PREMIUMS PAID AND IMPLEMENT THE REIMBURSEMENT PROGRAM;
11 EXEMPTING FROM STATE INCOME TAXATION THE AMOUNT RECEIVED BY A SERVICE MEMBER AS
12 REIMBURSEMENT FOR GROUP LIFE INSURANCE PREMIUMS PAID; APPROPRIATING FUNDS TO
13 REIMBURSE SERVICE MEMBERS WHO ARE ON ACTIVE DUTY FOR A CONTINGENCY OPERATION FOR
14 THE PREMIUMS PAID BY MEMBERS FOR GROUP LIFE INSURANCE; AMENDING SECTION 15-30-116,
15 MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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19 NEW SECTION. **Section 1. Legislative findings -- purpose.** (1) The legislature finds that:

20 (a) ~~the Montana national guard and reserve have~~ MONTANA HAS a proud tradition of military service with
21 thousands of Montanans having answered the call of the nation and having served in the national guard, ~~and~~
22 ~~reserve, AND ARMED FORCES~~;

23 (b) there have been instances in which the dependents of members of the Montana national guard, ~~and~~
24 ~~reserve, AND ARMED FORCES~~ have been left without adequate financial resources when a ~~national guard or reserve~~
25 SERVICE member has been killed while on active duty;

26 (c) members of the Montana national guard, ~~and~~ ~~reserve, AND ARMED FORCES~~ are now being asked to
27 serve extended periods of active duty in support of contingency operations;

28 (d) members of the Montana national guard, ~~and~~ ~~reserve, AND ARMED FORCES~~ are eligible for life
29 insurance policies with limits of up to \$400,000 through the federal service members' group life insurance
30 program; and



1 (e) members of the Montana national guard, ~~and reserve,~~ AND ARMED FORCES provide Montana and its
 2 citizens with valuable benefits through the members' service inside this state and through the members' recently
 3 extended periods of active duty in combat areas outside of Montana, and in exchange for these extended periods
 4 of active duty they should receive assistance with the premiums that members pay for the federal service
 5 members' group life insurance program.

6 (2) The purpose of creating and funding the account established in [section 3] is to provide a benefit to
 7 members of the Montana national guard, ~~and reserve,~~ AND ARMED FORCES in exchange for and in recognition of
 8 the members' assumption of extended periods of active duty in a contingency operation, in addition to the
 9 members' increased contributions to the safety and welfare of the citizens of Montana.

10
 11 **NEW SECTION. Section 2. Definitions.** As used in [sections 1 through 4], unless the context requires
 12 otherwise, the following definitions apply:

13 (1) "Active duty" has the meaning provided in 38 U.S.C. 1965(1)(A) and generally means full-time duty
 14 in the armed forces, other than active duty for training.

15 (2) "Contingency operation" means an assignment within the provisions of 10 U.S.C. 101(a)(13).

16 (3) "National guard" has the meaning provided in 10-1-101.

17 (4) "Reserve" means a member of a reserve component, as defined in 38 U.S.C. 101, of the United
 18 States armed forces.

19 (5) "Service member" means a MONTANA RESIDENT WHO IS A member of the national guard or reserve
 20 OR A MEMBER OF THE ARMED FORCES, AS DEFINED IN 10 U.S.C. 101(A)(4).

21
 22 **NEW SECTION. Section 3. Account for service members' life insurance.** (1) There is an account
 23 in the state treasury that is composed of statutory deposits to the account and includes any gifts, grants,
 24 donations, or bequests to the account and earnings from investing the money in the account.

25 (2) Money in the account must be used, as provided in [section 4], to reimburse service members serving
 26 on active duty in a contingency operation for the premiums paid, if any, for service members' group life insurance.

27
 28 **NEW SECTION. Section 4. Military service members' life insurance -- reimbursement -- eligibility.**

29 (1) (a) Subject to subsections (1)(b) and (1)(c), the department shall reimburse eligible service members for
 30 premiums paid for benefits under the service members' group life insurance program pursuant to 38 U.S.C. 1965

1 through 1980.

2 (b) A service member is eligible for reimbursement of group life insurance premiums only if the service
3 member:

4 (i) paid premiums for service members' life insurance available under 38 U.S.C. 1965 through 1980 after
5 February 28, 2006;

6 (ii) served on active duty in a contingency operation after February 28, 2006; and

7 (iii) was not reimbursed for premiums paid under subsection (1)(b)(i).

8 (c) The maximum amount of premium to be reimbursed may not exceed ~~\$16.25~~ \$17.50 a month for each
9 month during which the member was on active duty in a contingency operation and purchased service members'
10 group life insurance pursuant to 38 U.S.C. 1965 through 1980.

11 (2) The amount received by a service member as reimbursement for group life insurance premiums paid
12 is considered to be a bonus for the purposes of taxation.

13 (3) The department shall adopt rules necessary to determine eligibility for reimbursement from the
14 service members' life insurance reimbursement account and to implement the reimbursement program.

15 (4) This section does not alter, amend, or change the eligibility or applicability of the service members'
16 group life insurance program pursuant to 38 U.S.C. 1965 through 1980 or any rights, responsibilities, or benefits
17 under the program.

18

19 **Section 5.** Section 15-30-116, MCA, is amended to read:

20 ~~"15-30-116. (Temporary) Veterans' bonus or military salary -- exemptions. (1) All payments made~~
21 ~~under the World War I bonus law, the Korean bonus law, and the veterans' bonus law are exempt from taxation~~
22 ~~under this chapter. Any income tax that has been or may be paid on income received from the World War I bonus~~
23 ~~law, the Korean bonus law, and the veterans' bonus law is considered an overpayment and must be refunded~~
24 ~~upon the filing of an amended return and a verified claim for refund on forms prescribed by the department in the~~
25 ~~same manner as other income tax refund claims are paid.~~

26 ~~————(2) The salary received from the armed forces by residents of Montana who are serving on active duty~~
27 ~~in the regular armed forces and who entered into active duty from Montana is exempt from state income tax.~~

28 ~~————(3) The amount received pursuant to 10-1-1104 or from the federal government by a service member,~~
29 ~~as defined in 10-1-1102, as reimbursement for group life insurance premiums paid is considered to be a bonus~~
30 ~~and is exempt from taxation under this chapter. (Terminates on occurrence of contingency--sec. 9, Ch. 604, L.~~

1 2005.)

2 **15-30-116. ~~(Effective on occurrence of contingency) Veterans' bonus or military salary --~~**
 3 **exemptions.** (1) All payments made under the World War I bonus law, the Korean bonus law, and the veterans'
 4 bonus law are hereby exempt from taxation under ~~the income tax laws of the state of Montana, and any this~~
 5 chapter. Any income tax which that has been or may hereafter be paid on income received from ~~this source shall~~
 6 be the World War I bonus law, Korean bonus law, and the veterans' bonus law is considered an overpayment
 7 and ~~shall~~ must be refunded upon the filing of an amended return and a verified claim for refund on forms
 8 prescribed by the department in the same manner as other income tax refund claims are paid.

9 (2) The salary received from the armed forces by residents of Montana who are serving on active duty
 10 in the regular armed forces and who entered into active duty from Montana is exempt from state income tax.

11 (3) The amount received pursuant to [section 4] or from the federal government by a service member,
 12 as defined in [section 2], as reimbursement for group life insurance premiums paid is considered to be a bonus
 13 and is exempt from taxation under this chapter."

14
 15 **NEW SECTION. Section 6. Appropriation -- periodic transfer -- reversion.** (1) There is transferred
 16 from the general fund to the account established in [section 3] to reimburse the premiums for service members'
 17 life insurance \$60,000 for fiscal year 2007, \$100,000 for fiscal year 2008, and \$100,000 for fiscal year 2009. The
 18 amount transferred is appropriated to the department of military affairs to be used as provided in [sections 1
 19 through 4].

20 (2) Subject to subsection (1), the adjutant general shall, as necessary to administer the program for
 21 reimbursing service members for premiums paid for group life insurance under [sections 1 through 4], request
 22 the state treasurer to transfer sufficient funds from the general fund to the account established in [section 3]. The
 23 state treasurer shall comply with the request.

24 (3) Any unexpended or unencumbered balance remaining in the account at the end of a fiscal year
 25 reverts to the general fund.

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 27 **NEW SECTION. Section 7. Codification instruction.** [Sections 1 through 4] are intended to be codified
 28 as an integral part of Title 10, and the provisions of Title 10 apply to [sections 1 through 4].

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 30 **NEW SECTION. Section 8. Effective date.** [This act] is effective on passage and approval.

